

for purposes of paragraphs (1) and (2) as a loan made on or before the date of the enactment of this Act.

SEC. 1603. CERTAIN AMOUNTS DERIVED FROM FOREIGN
CORPORATIONS TREATED AS UNRELATED BUSINESS
TAXABLE
INCOME.

(a) GENERAL RULE.—Subsection (b) of section 512 (relating to modifications) is amended by adding at the end the following new paragraph:

"(17) TREATMENT OF CERTAIN AMOUNTS DERIVED FROM FOREIGN CORPORATIONS.—

"(A) IN GENERAL.—Notwithstanding paragraph (1), any

amount included in gross income under section 951(a)(1)(A)

shall be included as an item of gross income derived from

an unrelated trade or business to the extent the amount

so included is attributable to insurance income (as defined

in section 953) which, if derived directly by the organiza-

tion, would be treated as gross income from an unrelated

trade or business. There shall be allowed all deductions

directly connected with amounts included in gross income

under the preceding sentence.

"(B) EXCEPTION.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply to income attributable to a policy of insurance or reinsurance with respect to which the person

(directly or indirectly) insured is—

"(I) such organization.

"(II) an affiliate of such organization which is exempt from tax under section 501(a), or

"(III) a director or officer of, or an individual

who (directly or indirectly) performs services for

such organization or affiliate but only if the insur-

ance covers primarily risks associated with the

performance of services in connection with such

organization or affiliate.

"(ii) AFFILIATE.—For purposes of this subpara-

graph—

"(I) IN GENERAL.—The determination as to

whether an entity is an affiliate of an organization

shall be made under rules similar to the rules

of section 168(h)(4)(B).

"(II) SPECIAL RULE.—Two or more organiza-

tions (and any affiliates of such organizations)

shall be treated as affiliates if such organizations are colleges or universities described in section 170(b)(1)(A)(ii) or organizations described in section 170(b)(1)(A)(iii) and participate in an insurance arrangement that provides for any profits from such arrangement to be returned to the policyholders in their capacity as such.

"(C) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations for the application of this paragraph in the case of income paid through 1 or more entities or between 2 or more chains of entities."